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SPECIAL ASSESSMENT

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Asia's China Debate

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The Optimists Have the Lead, for Now: Russia's China Debate

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Executive Summary

- Despite their differing approaches to postcommunist transition, Russia and China have established close political, military and economic relations. The two countries basically share the same views on principles governing international relations, emphasizing in particular their preference for a multipolar world.
- However, for Russia, China represents not only an opportunity for retaining global and regional influence but also a potential security threat as a rising great power, undergoing impressive military modernization and economic expansion, overpopulated and sitting astride the wide expanses of Russia's underpopulated Far East, where energy and other natural resources abound.
- The dissonance between the positive that has been achieved between Moscow and Beijing and the unpredictability of what lies ahead in the relationship between the two has triggered a lively debate in Russia's political, diplomatic, military and academic circles.
- There are several schools of thought in Russia regarding its relations with China. The optimists see China as a strategic ally against the West, while the pessimists believe China is Russia's largest threat. The differences of opinion on China can be drawn along ideological lines, strategic perspectives, geographic location or practical gains or losses of particular actors. The most controversial areas of Russo-Chinese relations are border issues, migration, arms sales, and energy cooperation.
- The intensity of Russia's China debate depends on the evolving correlation of national power between Russia and China, the fluctuating level of understanding between Moscow and the Russian Far East but also on the state of Russia's and China's uneasy relations with the United States.
- At the moment, the optimists prevail in the debate, which can be explained by the huge commercial benefits of cooperation with China as well as Beijing's reluctance to challenge Russia's global and regional interests, in contrast to the United States' more ambitious role in the world including the former Soviet republics.

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RUSSIA AND CHINA: PRIORITY PARTNERS

After two decades of bitter confrontation Russia and China entered a period of normalization in the eighties, followed in the nineties by dramatic improvements in bilateral political and economic relations. According to the China-Russia Treaty of Friendship and Cooperation signed on July 16, 2001, both countries pledge to develop a long-term strategic and cooperative partnership based on good neighborliness, friendship, cooperation, equality and trust. The treaty states that the two sides have no claims to each other's territory. Russia is the only country with which China has such a treaty, and this is a reflection of China's foreign policy doctrine, which calls for "relying on the North (Russia), stabilizing the West (India), and concentrating on the East (Taiwan) and the South (Spratly Islands)." Russia also needs China as a geostrategic partner and a vast market for Russian weapons, oil and gas, and manufactured goods.

President Putin was the first leader of a major foreign state to visit China after its historic Sixteenth Communist Party Congress, which brought to power the fourth generation of Chinese leadership. Russia was the first destination for an official visit by China's new leader Hu Jintao. China is Russia's major arms buyer. The bilateral trade, still relatively modest, has however increased from \$7 billion to \$14 billion in the last five years. Sino-Russian relations are not limited to a bilateral sphere, but have global and regional significance. The two countries basically share the same views on principles governing international relations, emphasizing in particular their preference for a multipolar world. Russia and China have been elevating their regional security cooperation through the Shanghai Cooperation Organization, which vies for strategic preeminence in Central Asia.

Following several decades of hostility with Beijing, official Moscow understandably considers improved relations with China as a major achievement in its foreign policy. Against the background of continuing geopolitical rivalry with the United States, frequent frictions with the new independent states (former Soviet republics), and frustrating impasse in Russo-Japanese territorial dispute, Russian-Chinese ties appear to be a model of stability, complementarity and mutual respect. In an exclusive 30 May 2002 interview for Chinese media, President Putin said that despite Russia's recent strengthening of ties with the United States and NATO, "our relations with China are by nature higher than those with the United States."

However, for Russia, China represents not only an opportunity for retaining global and regional influence but also a potential security threat: a rising great power, undergoing impressive military modernization and economic expansion, overpopulated and sitting astride the wide expanses of Russia's underpopulated Far East, where energy and other natural resources abound.

SOURCES AND DRIVERS OF THE DEBATE

This dissonance between the positive that has been achieved between Moscow and Beijing and the unpredictability of what lies ahead in the relationship between the two has naturally triggered a lively debate in Russia's political, diplomatic, military and academic circles. The intensity of the debate depends on the evolving correlation of national power between Russia and China, the fluctuating

level of understanding between Moscow and the Russian Far East but also on the state of Russia's and China's uneasy relations with the United States. When Moscow leans toward Washington, as was the case after September 11, 2001, demands from Russia's foreign policy community for more attention to China grow. On the other hand, Moscow's attempt to engage China in an anti-U.S. campaign after events in Kosovo in 1999 or to form a strategic triangle between Russia, China and India provoked criticism at home.

Historically, Russia's China debate goes back to the nineteenth century when China became a symbol of a distinctly different society, and proponents of various ideologies who debated Russia's future, such as the Westernizers and Slavophiles, began to use this symbol in their heated discussions. This debate was of course silenced during the Soviet era but quickly reemerged after Russia's liberation from Soviet ideology. In the late eighties there seemed to be a consensus that the bilateral relations had to be normalized. Interestingly, the Tiananmen drama of 1989 did not lead to a major debate in Russia. Firstly, there was general fear of upsetting the fragile state of Russo-Chinese relations. Secondly, Moscow was focusing on its relations with the West, and China was not a prominent factor in its foreign policy. Thirdly, Russia's communist forces were discredited, demoralized and weakened and therefore unable to defend China's image. However, soon after that, China reappeared in Russia's foreign policy debate. The internal driver for this was the enormous social deprivation of the Russian population as a result of the radical economic reform. Even some of the democratic reformers started contrasting unfavorably Russia's radical approach with China's economic gradualism. The communist forces quickly reemerged on the political scene and initiated a campaign for closer relations with China and emulation of China's developmental model. Geopolitically, Russia's loss of influence, despite close relations with the West, prompted an urge to diversify its foreign policy and balance its European and Asian vectors. Russia's Foreign Ministry, despite its traditional U.S. and Eurocentrism, made necessary corrections in its policy priorities.

Pressure from other interested groups added to the urgency of advancing relations with China. Among these groups was the military-industrial complex of Russia, which viewed China as a major commercial partner. Exports became the most attractive source of income for Russian military producers and China became one of their major clients. According to Russia's main arms exporting agency, proceeds from arms exports finance more than 50 percent of Russia's military production, and the largest part of the payments comes from China. Russia's scientific community is increasingly interested in forging relationships with China and capitalizing on Beijing's growing scientific and technological ambitions. Russia's space agency, for example, takes some credit for the successful launch of China's first manned space mission. Some of this cooperation is, however, unauthorized. A number of Russian scientists have been brought to trial for alleged passing of secret information to the Chinese. The Ministry of Defense of Russia seems to be still more apprehensive of the United States than of China. Russia's military doctrine, including its amended post-September 11 version, views China as a friend but continues to be suspicious of the West. The powerful oil and gas companies of Russia—who recognize China's growing energy appetite and see the limits of continuing dependence on the European market—are new, powerful proponents of closer relations with China.

Among the alarmists with regard to China, the leaders of some border regions, especially the Maritime and Khabarovsk Regions, are particularly vociferous. They warn against unrestricted Russian-Chinese border trade and opposed the demarcation treaty. While generally not resistant to trade relations, these leaders lobby for a strictly controlled border and tough measures against Chinese immigration. It was their influence that led to the abolition of the visa-free border crossing system. Russia's Westernizers and liberal reformers, primarily represented by the party Union of Rightist Forces, caution about relying too much on China, a country they see as undemocratic and unlikely to become a stable and prosperous market economy. They contend that Russia's main Asian ally should be Japan. Even among nationalists who are traditionally anti-American, there is growing acceptance that Russia's strategic over-dependence on China is fraught with future dangers for Russia. Vladimir Zhirinovsky, leader of the ultranationalist Liberal Democratic Party of Russia, sees China as an adversary along with the United States.

While differences of opinion on China can be drawn along ideological lines, strategic perspectives and practical gains of particular actors, it is important to analyze some specific areas of Russo-Chinese relations that are particularly controversial and hotly debated in Russia. These areas include, but are not limited to, border issues, Chinese migration, arms sales, and energy cooperation.

BORDER ISSUES

The intensive political dialogue between Moscow and Beijing during the Boris Yeltsin era paved the way for agreements on border issues. For the first time in the history of Russo-Chinese relations, the common border is becoming clearly delineated on the ground. Compromise solutions have been found for certain disputed islands in border rivers, and the signing of an agreement on the joint economic utilization of these islands has become possible.

However, the border problems have not been resolved completely and continue to cause concern in Russia. Some believe the Chinese have only temporarily agreed to the border status quo and have not relinquished their territorial claim for about 1.5 million square kilometers in Siberia and the Russian Far East. They believe China's agreement to the current border arrangement is tactical and that Beijing may "return" to this question at a more appropriate time in the future—perhaps when China is in a stronger position. China skeptics also refer to the tendency of the border being pushed more and more to the north since the border negotiations started at the end of the 1980s. There are doubts whether the Chinese will abide by their promise to allow joint economic activity in the areas acquired from the Russians as a result of the agreements.

The border issue has revealed two distinct attitudes in Russia toward dealing with China. The optimists have been justifying Russia's compromises on the basis that it is better to seal the border while China has not yet reached superpower status. The pessimists accuse the government of ignoring the Chinese mentality, which takes concessions as a sign of weakness. Regional critics of the November 1997 border demarcation agreement claim that Russia has ceded 9,700 hectares of land rich in flora and fauna. The border agreement on the eastern section defers the decision on two islands near Khabarovsk on the river Amur and one on the river Argun. This could rekindle tension in the future.

President Putin told the meeting of the State Council of Russia in January 2003 that the issue of border delimitation between Russia and China would be resolved in the near future. Vladimir Putin informed the members of the Council that talks on the issue were underway but noted that both sides still needed to make compromises. Khabarovsk Region's Governor Viktor Ishaev, speaking after Putin, warned however that China was carrying out a policy of active expansion in his region. "The political and business elite of China believes that Russia has annexed 1.5 million square kilometers of [Chinese] territory," Ishaev was quoted as saying. Ishaev claimed that the border-delimitation process is linked with Chinese domestic problems, including the fact that the number of unemployed people in China exceeds the entire population of Russia.

CHINESE MIGRATION

The expansion of trade and economic links between Russia and China, particularly between the border regions, has led to considerable growth in the size of the Chinese diaspora in Russia and provoked an alarmist mood in Russia over what is perceived to be "creeping Chinese expansion." Russian newspapers have often written on the subject of illegal Chinese immigration to Russia, putting the aggregate number of Chinese people in the Russian Federation at up to two million, of whom between 0.3 million and one million have settled down in the Russian Far East. There are concerns in Russia that Moscow's control will snap under the pressure of demography. Russia's population east of Lake Baikal is less than eight million. China's northern provinces that border the Russian Far East are home to 110 million people. Combined with the Russians' atavistic fear that a "yellow peril" could overwhelm them—just as the Mongols did in the thirteenth century—this insecurity manifests itself as outright racism. The authorities of the Maritime Region passed laws forbidding Chinese citizens from owning or renting property and evicting illegal Chinese residents.

Alarmists in Russia perceive Chinese immigrants as Beijing's "fifth column," which could be used by China in the future for purposes of territorial expansion. Vladimir Myasnikov, one of Russia's leading China experts, believes that "whatever the Chinese do in Russia they are always conscious of historic injustices by Russia which took from China the Maritime and Amur regions." Others see the Chinese presence as more of a cultural challenge from an "alien" Chinese civilization. The Chinese nationals that have immigrated into Russia are blamed for the worsening crime rate in the Far East. It is reported that a growing number of Chinese criminal syndicates have been operating in the border areas. Chinese are also seen as taking over the local economy. For example, the former mayor of Vladivostok, Viktor Cherepkov, estimates that Chinese businessmen control 30 to 40 percent of the economy in the Far East and 100 percent of its light industry. Russians are particularly concerned over the emergence of compact Chinese settlements on Russian territory. "Foreigners who obtain residence status get the right to vote. It is easy to guess who they will elect if they live in a compact ethnic community of 3,000 or 10,000," notes the head of Russia's Federal Migration Service, Andrei Chernenko, describing such communities as a "ticking time bomb."

Experts, however, point out that it is not Chinese immigration as such, but de-industrialization and progressive depopulation that threaten Russia's hold on

Eastern Siberia and the Far East. “The matter isn’t one of someone causing a military threat to Russia in this region, though under certain circumstances this could happen,” says the well-known political analyst, Andrei Piontkovsky. “The problem is that if current trends continue, these territories will drift away of their own accord first economically and then demographically ... The main security issue today, and perhaps the key to Russia’s survival in the first half of the 21st century, is whether Russia can hold on to its territory in Siberia and the Far East.”

There are indications that the Federal Government is finally awakening to the problem. It has drawn up a program of economic reconstruction of the region to be driven by the development of rich energy and mineral resources and the building of a rail transport corridor from Eastern Asia to Europe. During a visit to the Far East in 2002, Russian President Vladimir Putin urged local authorities to do more to revive the economy. “If people here will not regenerate their region and economy, they will all be speaking Chinese or some other Asian language,” President Putin warned. Russian officials also concede that the region needs Chinese workers to compensate for a shrinking local population. “We face a bad shortage of manpower as Russians are leaving the Far East by the millions,” complains the presidential representative in the Far East, Konstantin Pulikovsky.

ARMS SALES

Russia and China have developed close defense cooperation over the last decade, with China buying Russian conventional weapons systems, including major fighter aircraft such as the Su-27 and Su-30, Sovremmeny-class destroyers, Kilo-class submarines and S-300 air defense missiles. Russia has also granted licenses allowing China to assemble Su-27s itself. China is the leading purchaser of Russian arms, spending about \$1 billion per year and accounting for up to 40 percent of Russia’s annual arms exports. Arms account for about 20 percent of the trade between the two countries. On 3 May 2003, Russia’s state arms export agency, Rosoboroneksport, signed a \$1.5 billion deal to supply China with eight Project 636 submarines equipped with Club missile systems.

Many Russian analysts believe, however, that Russia could someday be threatened by these weapons, as China is the only country likely to pose a real military threat to Russia in the foreseeable future. Political commentator Stanislav Kucher notes, for example, that while Russia is selling state-of-the-art weaponry to China and Malaysia, it cannot find funding to purchase advanced equipment for its own military. According to Kucher, in 2002 the Russian Army purchased only two new airplanes and just six hundred new Kalashnikov automatic rifles. Some Russian military analysts and Foreign Ministry officials are concerned that the defense industry’s quest to earn hard currency has relegated security considerations to a secondary priority. They are worried that while Moscow’s military presence in the Asia-Pacific region has considerably shrunk, Russian arms transfers are helping China to enhance its power-projection capability in the region.

Optimists in Moscow, however, believe that China’s defense capabilities are still modest. In this situation, it can seem better to sell arms to China than to not sell them, according to Yevgeny Bazhanov, deputy director of the Russian Diplomatic Academy. There are also hopes of “domesticating” the Chinese military, making it dependent on Russia for spare parts and ammunition, and creating

within that key constituency a kind of positive psychological predisposition toward Russia. Even in case of a downturn in the relationship, Russia will feel doubly confident—the Chinese will have arms, which can hold no secrets to the Russians. Even though China, like India, is officially rated as Russia's "strategic partner," it does not have unrestricted access to the top-of-the-line Russian weapons, as does India.

In response to a somewhat heated debate regarding China in December 2002, First Deputy Chief of Russia's General Staff Yuri Baluyevsky, who had just returned from a trip to China for consultations with the Chinese military, warned publicly that if Russia changed its Chinese policy it might face a neighbor that "can threaten us by virtue of its quantitative and qualitative potential." "Do we need this?" asked the senior military officer. "I believe that today the most correct policy is to have a good neighbor, true friend, and strategic partner, and never an enemy."

ENERGY COOPERATION

China has been increasingly interested in the rich gas and oil imports from Russia. Its reserves are thirty to forty times smaller than those of Russia. At the Yeltsin-Jiang summit in November 1997 the two sides initiated an estimated US\$12 billion gas-pipeline project to transport Russian natural gas to the growing Chinese energy market. It was decided to concentrate on two gas projects: a pipeline from the Kovytkinskii gas field in the Irkutsk Region to China (the so-called Eastern Project) and a gas pipeline to China from Western Siberia (the so-called Western Project). In May 2003, YUKOS (Russia's largest oil producer) and the China National Petroleum Corporation (CNPC) signed a \$150 billion deal involving the latter's purchase of up to 5.13 billion barrels of oil (600,000 bpd) between 2005 and 2030, using the Daqing pipeline. (A separate deal to supply 6 million tons of crude oil by rail until the pipeline was up and running was also agreed on.) However, the construction of the oil pipeline remains unresolved after almost nine years of negotiations between Russia and China. The project was first proposed by Russia in 1994. In 2000, Russia and China signed an intergovernmental agreement on the oil pipeline and China spent several million dollars on a feasibility study of the project. Yet in late 2002, newfound enthusiasm and promises of financial support from the Japanese for a pipeline to Russia's Pacific coast seemed to leave Russia unable to decide to which Asian nation—Japan or China—the Russian pipeline would go.

Russia's indecisiveness whether to choose the "pro-China" Angarsk-Daqing line or a "pro-Japan" Angarsk-Nakhodka route can be explained by a number of reasons, including competing domestic economic requirements. But the indecision also stems from growing pressure inside Russia of groups worried about Russia's energy over-dependence on China. These groups see China's growing assertiveness in Russia's oil and gas market as a potential strategic risk. Russia's State Duma adopted on 15 December 2002 a non-binding resolution calling upon the government to ban CNPC from participating in the Slavneft oil company auction. The lawmakers argued that allowing CNPC to buy Slavneft would harm Russia's economic interests, as the company might then ship crude oil directly to China, bypassing Russian refineries. The liberal Union of Rightist Forces (SPS) leader Boris Nemtsov supported the resolution and said that selling such a vitally

important national asset to China would be a political mistake. After negotiations behind closed doors with Russian authorities—and reportedly under their pressure—the CNPC withdrew its bid from the auction.

CONCLUSION

Russia's perceptions of China are not homogeneous. There are several schools of thought in Russia regarding its relations with China. Optimists see China as a strategic ally against the West, while pessimists believe China is Russia's largest threat. However, the two schools of thought do have certain things in common. Both recognize the importance of good relations with Russia's largest neighbor. At the same time, most of them have not really appreciated the changing strategic importance of China's growing economy. Being more used to seeing economics as only a means of enhancing political and military status, both sides fail to recognize the fact that economic power is becoming an autonomous and significant element of national strength. Comforting themselves by hopes that it will take China a long time to transform its economic strength into military strength, Russian strategists have missed China's arrival at regional leadership by virtue of its enormous importance in maintaining economic and political stability in the region, and indeed the world. Even if China's growing economic importance for Russia is recognized, it is done in a rather simplistic way and is seen as a possible "quick solution" to Russia's problems, reminiscent of Russia's earlier hopes of the West rescuing Russia "overnight" from its economic troubles.

Russia's perceptions of China depend to a great extent on U.S.-Russia relations and the United States' willingness to appreciate Russia's national interests. Russia-China relations are unlikely to turn into an anti-U.S. alliance because both Moscow and Beijing still need Washington more than they need each other. Short of becoming allies, Russia and China will continue to accommodate each other through global, regional and bilateral cooperation to cement their interdependence not only as an obvious practicality between two neighbors, but also as a leverage against the United States' preeminence in world affairs. In Russia, China will continue to be compared with the United States in this respect. As long as Beijing is unwilling to openly challenge Russia's interests, in the former Soviet republics, China will be viewed predominantly positively. As long as China professes a multipolar world, it is suitable for Russia as a strategic partner. If and when China switches to a bipolar (U.S.-China) vision of the world, Moscow's allegiance to China will be questionable and questioned harder by voices at home. Subsequently, the current debate on border issues, Chinese migration and arms sales to China would probably witness a much higher level of concern regarding Russia's eastern challenge.